WorkFirst Reexamination Workgroup

Focus Area Briefing Paper

Issue: Working Connections Child Care (WCCC) eligibility and co-payments

Description: The WCCC program serves an average of 36,760 families a month who are receiving TANF and are enrolled in approved WorkFirst activities, as well as non-TANF families who are working or working and going to school.

Cost / Savings:

Child care subsidies ($251.9 million) and child care quality ($24.3 million) represent 33.4% of the existing Temporary Assistance for Needy Families (TANF) 2006 spending plan, second only to TANF grant payments ($284.9 million).

There are two possible areas where savings might be achieved and the options below are provided as an example:

1) Decreasing the eligibility income limit to 190% (or some other level) of the 2005 federal poverty guideline. At 190% of FPL, expenditures would be reduced by approximately $3.6 million per year and would likely affect 700 families.

   NOTE* This savings does not allow the phasing out of cases. For example, if the change was effective 5/1, a client applying on 3/1 would receive benefits only through 4/31, not 8/31 (normal eligibility periods are for up to 6 months).

2) Co-pay increases:

	Up to 82% FPL	82 – 137.5% FPL	137.5% - 200% FPL	Estimated Cost Savings
Current Co-pay Amount	*$15*	*$50*	*$51 - $418*	
If the co-pay increased by $__ in each group, what would be the total impact?	$ 5	$ 5	$ 5	$5.5m
	$ 10	$ 10	$ 10	$12.9m
	$ 15	$ 15	$ 15	$20.7m
	$ 0	$ 5	$ 5	$4.6m
	$ 0	$ 10	$ 10	$9.1m

Background:
Subsidized child care allows families in need to access healthy, safe, and developmentally appropriate care that may not otherwise be available to them. Tightening the income eligibility cut-offs or raising copayments would save money, but at the expense of low-income families struggling to make ends meet. In addition, there could be unintended consequences to tightening eligibility (see risks section below).

Previous adjustments to the eligibility income limit and/or copayment structure were made in response to budgetary issues in 2000, 2002, and 2003.

Research Results:

Working Connections Child Care (WCCC)
More than three-quarters of Working Connections families have incomes below 140% of the Federal Poverty Level (FPL). Approximately 6% have incomes above 170% of FPL. In September 2004 there were about 2,800 families with incomes above 170% of FPL and they received approximately $1.1m in WCCC subsidies (roughly $13.7m/yr).

Families with incomes:	*% of Expenditures*	*# Families*
Up to 82% FPL	42%	15,500
83 – 140% FPL	35%	12,400
141 – 170% FPL	16%	6,200
171 – 200% FPL	6%	2,800

Studies have shown that child care assistance can make a significant difference in families' abilities to maintain attachment to the labor force and stay off TANF.
- Single mothers receiving assistance in paying for child care are 40% more likely to remain employed after two years.
- Former welfare recipients are 82% more likely to be employed after two years if they receive child care assistance.
- Those who were receiving child care assistance within 3 months of the time they left welfare were less likely to return to welfare.

Range of Eligibility Levels in Other States
Among states in 2004, the median income eligibility level for child care subsidies was 185% of FPL. Twenty-four states had waiting lists. There are 16 states that have eligibility cut-offs for child care subsidies that are equal to or higher than Washington; among those states, seven have waiting lists. Sixteen states have income cut-offs at or below 150% FPL. Alaska had the highest cut-off ($46,248 or 295% of FPL), while Missouri had the lowest ($17,784 or 113% FPL). Note that this comparison to the federal poverty level does not account for variation in cost of living in different states.

Benefits
(to tightening eligibility requirements and/or increasing copayment participation)

- Savings incurred from fewer families being eligible for support.
- Savings incurred from families paying a higher copayment.

Risks or unintended consequences
(of tightening eligibility requirements and/or increasing copayment participation)

- Decreased support to low-income families
- Loss of child care subsidies may decrease attachment to labor force and destabilize transition to self-sufficiency
- Families may use more unregulated care for children including leaving children unattended
- Provides greater incentive to keep income below eligibility threshold

Implementation issues

Changes to the eligibility and/or copayment structure must be achieved through the formal WAC change process. This process takes a minimum of 90-120 days, unless an emergency WAC is put into place. There are required changes to forms/letters, manuals, and automation associated with this change. Families require advance and adequate notice, which would involve direct mailings to current recipients.

Additional issue for follow-up:
- Could Working Connections Child Care be time-limited? What would the cost savings be? Are there other models to consider?